How are "dock sales" treated when computing the sales factor for multistate corporate income tax purposes?

Generally, dock sales should be sourced to the good's ultimate destination.

Dock sales refer to those instances where out-of-state sales are picked up at the seller's in-state dock rather than being shipped to the out-of-state customer. The income tax question that arises is where to source that sale for the purpose of the seller's sales factor when apportioning income under the two-factor or three-factor methods. Should the sale be sourced to the seller's state where the goods were picked up or to the state of ultimate destination?

Courts have almost unanimously held that the sale should be sourced to the state of ultimate destination, not the seller's state. Such a position respects the purpose of the sales factor in apportionment by measuring the contribution of the market states and prevents sellers and buyers from manipulating the sales factor through delivery terms and transportation alternatives.